

GENESIS SERVICES, INC.

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2006

GENESIS SERVICES, INC.

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HIGGINSON & MORRELL, P.C.
Certified Public Accountants

To the Board of Directors
Genesis Services, Inc.
Salt Lake City, Utah

We have compiled the accompanying statement of financial position of Genesis Services, Inc. (a nonprofit organization) as of June 30, 2006, and the related statements of activities, cash flows and functional expenses for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

Higginson & Morrell, P.C.

November 13, 2006

GENESIS SERVICES, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2006
See Accountant's Compilation Report

ASSETS

ASSETS

Cash	\$ 1,114
Accounts receivable	11,168
Prepaid expenses	8,115
Security deposits	100
Equipment, net of depreciation of \$3,836	<u>128</u>
TOTAL ASSETS	<u>\$ 20,625</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable	\$ 1,173
Accrued liabilities	10,075
Loans from officers	24,820
Bank loan - line of credit	<u>3,930</u>
TOTAL LIABILITIES	<u>39,998</u>

NET ASSETS

Unrestricted	<u>(19,373)</u>
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TOTAL LIABILITIES AND NET ASSETS	<u>\$ 20,625</u>
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The accompanying notes are an integral part of these financial statements.

GENESIS SERVICES, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006
 See Accountant's Compilation Report

	<u>Net Assets</u> <u>Unrestricted</u>
REVENUES	
Program fees - supportive job based training	\$ 68,008
Program fees - companion services	4,503
Program fees - supported living	3,721
Contributed interest income	1,387
Miscellaneous income	3,298
Contributions	<u>5,000</u>
TOTAL REVENUE	<u>85,917</u>
EXPENSES	
Program services:	
Supportive job based training	66,335
Companion services	3,560
Supported living	866
Supporting services:	
Management and general	<u>9,862</u>
TOTAL EXPENSES	<u>80,623</u>
INCREASE (DECREASE) IN NET ASSETS	5,294
NET ASSETS - BEGINNING OF YEAR	<u>(24,667)</u>
NET ASSETS - END OF YEAR	<u><u>\$ (19,373)</u></u>

The accompanying notes are an integral part of these financial statements.

GENESIS SERVICES, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2006

See Accountant's Report

CASH FLOWS FROM OPERATING ACTIVITIES

Increase (decrease) in net assets	\$ 5,294
Adjustments to reconcile increases in net assets to net cash provided by operating activities:	
Depreciation	36
(Increase) decrease in operating assets:	
Accounts receivables	2,690
Prepaid expenses	(6,131)
Advances to employees	264
Deposits	625
Increase (decrease) in operating liabilities:	
Accounts payable	(1,837)
Accrued liabilities	3,062
	<hr/>
Net cash used by operating activities	4,003 <hr/>

CASH FLOWS FROM FINANCING ACTIVITIES

Borrowings on officer loans	63
Payments on line of credit	(442)
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Net cash used from financing activities	(379) <hr/>

NET INCREASE (DECREASE) IN CASH	3,624
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CASH - BEGINNING OF YEAR	(2,510) <hr/>
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CASH - END OF YEAR	\$ 1,114 <hr/>
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SUPPLEMENTAL DATA

Interest paid	\$ 1,626
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The accompanying notes are an integral part of these financial statements.

GENESIS SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2006
 See Accountant's Report

	PROGRAM SERVICES				SUPPORTING SERVICES	
	Supportive Job Based Training	Companion Services	Supported Living	Total	Management & General	TOTAL 2006
SALARIES & RELATED EXPENSES						
Salaries	\$ 40,791	\$ 2,616	\$ 667	\$ 44,074	\$ 7,120	\$ 51,194
Payroll taxes	2,932	234	32	3,198	224	3,422
Other benefits	1,763	-	-	1,763	453	2,216
Workers compensation	407	27	1	435	72	507
TOTAL SALARIES & RELATED EXPENSES	45,893	2,877	700	49,470	7,869	57,339
OTHER EXPENSES						
Legal and accounting	1,800	-	-	1,800	-	1,800
Postage and shipping	525	-	-	525	-	525
Office supplies	1,306	-	-	1,306	-	1,306
Program supplies	51	-	-	51	-	51
Rent	3,362	211	51	3,624	576	4,200
Travel and transportation	5,251	-	-	5,251	-	5,251
Communication	2,949	185	45	3,179	506	3,685
Staff training and conferences	358	-	-	358	-	358
Payroll processing	1,438	90	22	1,550	247	1,797
Marketing	252	-	-	252	-	252
Utilities	738	46	11	795	127	922
Interest	2,412	151	37	2,600	413	3,013
Miscellaneous	-	-	-	-	88	88
TOTAL EXPENSES	66,335	3,560	866	70,761	9,826	80,587
Depreciation					36	36
TOTAL PROGRAM AND SUPPORTING SERVICES	\$ 66,335	\$ 3,560	\$ 866	\$ 70,761	\$ 9,862	\$ 80,623

The accompanying notes are an integral part of these financial statements.

GENESIS SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Genesis Services, Inc. (Genesis) is a Nonprofit Corporation organized under the laws of the State of Utah. Its purpose is to provide vocational and rehabilitative services to individuals in the Salt Lake City area who have temporary or permanent physical and/or emotional disabilities with the ultimate goal being permanent job placement for these individuals.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Support and Revenue

Genesis has a Contract for Services with the state of Utah Department of Human Services to provide services for individuals with disabilities who meet the eligibility criteria for the Division of Services for People with Disabilities. The billing for services is on a cost reimbursement basis based on individual units of service provided by Genesis, payable at the allowable established rate by the Division of Services and is open-ended. The Contract is effective as of July 1, 2004 through June 30, 2007. For the year ended June 30, 2006, 16% of Genesis' revenue was from this contract. The majority of the revenue (73%) comes from the Utah State Department of Education the Division of Rehabilitation Services. The billing for services is on a cost reimbursement basis based on individual unites of service provided by Genesis, payable at the allowable established rate by the Division of Rehabilitation Services and is open-ended.

Furniture and Equipment

Donations of furniture and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, Genesis reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. Genesis had no donated equipment for the year ended June 30, 2006. Depreciation is computed using the straight-line method over an estimated useful life for the assets of three to seven years.

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

- Continued

Income Taxes

Genesis is a not-for-profit organization that is exempt from income taxes under provisions of the Internal Revenue Code 503(c)(3).

Cash and Cash Equivalents

For the purpose of the statements of cash flows, Genesis considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Expenses

Expenses are charged directly to program services on the statement of functional expenses, where practicable. Expenses, which are not specifically identifiable to certain programs, are allocated based on estimates provided by management.

Advertising

Advertising costs are charged to operations when incurred. The organization has no direct-response advertising.

NOTE B - RELATED PARTY TRANSACTIONS

The loans from officers are unsecured, non-interest bearing advances that are due upon demand. For generally accepted accounting principle purposes, interest has been accrued at a rate of 8% on the loans and recorded as interest expense in the financial statements. Since the interest expense will not be paid because the loans carry no interest, the offset to interest expense has been recorded as contributed interest income in the financial statements instead of an accrued liability.

NOTE C - BANK LOAN / LINE OF CREDIT

Genesis has a line of credit for \$5,000 with a bank. The line is unsecured, carries interest at a rate that fluctuates monthly approximately 14% to 16% and has no maturity date. Genesis is required to pay interest monthly along with a minimum monthly payment of approximately 4.5% of the previous month's outstanding loan principal amount.